

# Strategic asset allocation : the effect of uncertainty on portfolio choice

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Propositions

Accompanying the dissertation

# Strategic asset allocation

## The effect of uncertainty on portfolio choice

By

Bart Diris

1. Even after controlling for firm characteristics, there is considerable heterogeneity in expected returns across firm. In order to take this heterogeneity into account, investors should allow for interactions between firm characteristics and industries to obtain the highest risk-adjusted returns.  
(Chapter 2)
2. In terms of performance, a long-term investor can safely repeat easy-to-calculate short-term strategies instead of following a more complicated long-term dynamic strategy.  
(Chapter 3)
3. The stock market is not a better place for long-term investors than for short-term investors.  
(Chapter 4)
4. The estimated riskiness of long-term stock returns changes considerably over time due to model uncertainty even when the riskiness stays constant for investors who know the correct model.  
(Chapter 4)
5. Parameter and model uncertainty can be safely ignored for short investment horizons. Model instability in intercepts and slopes can be disregarded at all investment horizons.  
(Chapter 4 and 5)
6. "... in terms of forecasting ability, ... a good Bayesian will beat a non-Bayesian, who will do better than a bad Bayesian" (Granger, 1986)
7. The most important skills for a successful financial econometrician are marketing skills, followed by networking skills. Knowledge about financial econometrics helps as well. Marketing and networking skills should therefore be part of master programs in both finance and econometrics.
8. Financial theory is often elegant, rigorous and plausible. The data usually tells a different story.
9. The final phase of a PhD is a good preparation for any "real-world" job. One learns how to set deadlines, deal with busy supervisors, plan a defense, manage the expectations of friends and family, print books, negotiate about costs, prepare press releases, market one's research to the outside world and apply for a new job.
10. Het dogmatisch vasthouden aan slechts één voorspelmodel door beleggers heeft dezelfde invloed op prestaties als het heilig verklaren van één spelsysteem door Ajax.